

THE NEW (BUDGET) YEAR

For the City of Princeton September 30 is New Year's Eve. October 1 is the start of the new year, Fiscal Year 2010.

The critical actions for the City at the start of the new year are the passage of the annual budget and setting the property tax rate (also called ad valorem tax). The Princeton City Council took action on the budget and tax rate at its meeting of September 8.

The tax rate for FY 2010 is exactly the same as for FY 2009. Individual property owners may not receive exactly the same City tax bill as last year because the property appraisal may have gone up or down. The total value of property in the city increased by 1.5% from January 1, 2008 to January 1, 2009, but that increase is primarily a result of new construction. Appraisals of existing property generally remained approximately the same. The City of Princeton has no control (not even any input) over appraisals, which are done by the Collin Central Appraisal District.

Regarding the City budget, it is important to remember that the City's operating budget is divided into two funds. The Enterprise Fund (usually called the Water and Sewer Fund) includes the City's water, sanitary sewer, and trash operations. All other City operations (police, fire, ambulance, municipal court, administrative and development services, and so on) are included in the General Fund.

Enterprise Fund (Water/Sewer/Trash)

The Enterprise Fund should operate as a non-profit business, with revenues and expenditures (including depreciation) being roughly equal. Because water and sewer revenues and expenditures can vary dramatically from one year to the next, the City attempts to maintain a significant reserve account for this fund. That reserve account was reduced in FY 2009 because Enterprise Fund revenues were substantially below normal levels because of a mild and wet summer and because of a substantial increase in costs for treated water and sewer treatment. Princeton receives all its water from North Texas Municipal Water District and all of the City's wastewater is also treated by North Texas.

Enterprise Fund revenues in FY 2009 will be only 4% higher than FY 2006, even though the city has grown significantly in the past three years. Revenues are expected to increase by about 6% in FY 2010 because of an increase in water and sewer rates in August, 2009. Taking into account the enormous inflation rate of the 2006-2008 period, the projected 2010 water and sewer budget is between 10 – 15% below the levels of 2006.

Enterprise Fund

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010*</u>
Revenues	\$2,585,331	\$2,282,594	\$2,577,441	\$2,690,549	\$2,847,150
Expenditures	\$2,133,342	\$2,129,080	\$2,301,972	\$2,692,024	\$2,847,150

**Budget for FY 2010*

General Fund

The General Fund supports the following activities:

- Administration (including the Finance Department)
- Police
- Fire
- Ambulance (through contract with Collin County)
- Municipal Court
- Development
- Public Works (streets, drainage, parks, recreation and open space)
- Library

FY 2010 General Fund revenues are expected to be 9.6% lower than FY 2009. In fact, FY 2007 revenues will exceed our expected revenues in 2010. This decline is largely a result of continued reduction in revenues related to development activity. Development department revenues include building permits, zoning and platting fees, and impact fees, among others. The local economy is not expected to rebound until the middle or even latter part of 2010 and the improvement may not be significant even then.

Declining revenues require enormous belt tightening and will likely affect provision of City services, perhaps even during this year. All expenditures that can be delayed are being delayed; any unexpected outlays will upset a delicate balance.

General Fund

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010*</u>
Revenues	\$2,123,602	\$2,661,260	\$2,829,889	\$2,715,253	\$2,437,519
Expenditures	\$2,130,774	\$2,578,870	\$2,443,296	\$2,574,122	\$2,437,519

**Budget for FY 2010*

Princeton is by no means alone in experiencing difficult financial times. Virtually all the cities in the Collin County and Dallas metroplex area have either raised taxes or reduced staff or both. The City of Princeton has not raised taxes and has not reduced staff but that should not obscure the fact that this next fiscal year will be a very difficult one. Our employees received a 3% cost of living increase in 2008-09 and will receive no salary adjustments or cost of living increases during the next fiscal year. Worse yet, the following year (FY 2011) will probably be equally tough.

Finally, a comment is probably in order regarding the infrastructure improvements that are evident throughout the community. Virtually all of these projects are being financed through bonds (loans) of one type or another. In other words, they are not being funded from the City's operating funds. However, the debt service on these loans must be paid each year. These debt service payments are another factor making the current tough financial times even more difficult. At the same time, these improvements, including the Dogwood ground storage tank and pump station, the water line improvements throughout the older part of the community, the new sewer lines along Ticky Creek, the water and sewer lines to Harper Elementary, the local street improvement project, the Monte Carlo Boulevard project, are investments in the community's

future. Without these projects, there cannot be growth. And growth is the process that provides the financial light at the end of the tunnel, by increasing the revenue base of the community.

The Princeton City staff welcomes your comments and questions. Contact information is on the City website (www.princetontx.gov) or by calling us at 972-734-2416.